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October 10, 1978

The Honorable John C. Stennis  
Chairman, Committee on Armed Services  
United States Senate

Dear John:

You have before you, by referral from the Senate Governmental Affairs Committee, S. 1264, the Federal Acquisition Act of 1977. This bill grows out of the work of the Federal Procurement Commission of which I was a member. Aside from that, we in GAO have a very substantial interest in it. There is one provision in S. 1264 which concerns me a great deal. That has to do with the waiver or exemption provisions in section 509. This provision would override the work of the Cost Accounting Standards Board, of which I am the Chairman, with respect to waivers or exemptions from those standards in a way which I believe would cause tremendous confusion in the Defense Department and among Defense contractors.

The Cost Accounting Standards Board currently has a statutory responsibility for making judgments of this type and we have issued a number of regulations which exempt small businesses and other contractors who do a small percentage of their business with Government. To require contractors to adhere to both the Board requirements as well as those written into the statute would be terribly confusing and wasteful.

I hope very much that you will take a look at this provision. Your staff has a great deal of backup material on it from our office. I would be delighted to visit with you personally about the matter if that would be helpful.

Best wishes.

Sincerely,

(Signed) Elmer

Elmer B. Staats

cc: OCR

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